

Message Text

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ORIGIN EB-08

INFO OCT-01 EA-10 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 FPC-01 H-01 INR-07 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07
SP-02 SS-15 STR-05 TRSE-00 ACDA-12 /106 R

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FM SECSTATE WASHDC
TO AMEMBASSY TOKYO PRIORITY

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E.O. 11652: N/A

TAGS: ENRG

SUBJECT: JAPANESE REQUEST FOR INFORMATION ON US OIL
. STOCKPILE PURCHASES

REF: TOKYO 17215

1. YOU MAY INFORM GOJ THAT USG HAS NOT UNDERTAKEN ANY
NEW OIL STOCKPILE PROGRAM OTHER THAN THE STRATEGIC
PETROLEUM RESERVE (SPR). (DEFENSE DEPARTMENT HAS
ALWAYS MAINTAINED EMERGENCY STOCKS, BUT DATA IS NOT
RELEASED IN THIS REGARD.) US OBLIGATIONS UNDER IEA'S
EMERGENCY STORAGE PROGRAM ARE FULLY MET BY STOCKS
NORMALLY KEPT ON HAND BY US PETROLEUM INDUSTRY, WHICH
ARE USUALLY EQUAL TO ABOUT 60-70 DAYS CONSUMPTION,
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I.E., WELL OVER 100 DAYS IMPORTS. GOJ SHOULD BE
AWARE FROM PAST IEA DISCUSSIONS OF LONG HELD US VIEW
THAT IEA STOCKING DEFINITIONS SHOULD BE STRENGTHENED
TO EXCLUDE COMPANY WORKING STOCKS WHICH COULD NOT BE
DRAWN DOWN IN AN EMERGENCY TO ANY GREAT EXTENT WITHOUT
INTERRUPTING NORMAL COMPANY OPERATIONS AND AS A
CONSEQUENCE ECONOMIC ACTIVITY IN IEA MEMBER COUNTRIES.

2. LEVEL AND MAKE-UP OF INDUSTRY STOCKS VARIES SEASONALLY, BUT AVERAGE TOTAL FIGURE THIS YEAR IS ONLY

ABOUT 10 PERCENT HIGHER THAN IN 1974; THUS THIS IS NOT A SIGNIFICANT FACTOR IN US IMPORTS OR IN WORLD CRUDE OIL MARKET. FIGURES ON INDUSTRY STOCKS ARE COMPILED AND RELEASED WEEKLY BY AMERICAN PETROLEUM INSTITUTE (API) AND USUALLY REPORTED IN TRADE PRESS SUCH AS PLATT'S OILGRAM. FOLLOWING ARE API FIGURES FOR STOCKS DURING WEEK ENDED OCTOBER 28:

-- CRUDE OIL344.8 MILLION BARRELS

-- GASOLINE.....244.2 MILLION BARRELS

-- DISTILLATES....247.8 MILLION BARRELS

-- RESIDUAL.....86.1 MILLION BARRELS

-- UNFINISHED OILS..113.2 MILLION BARRELS

3. AS PRESENTLY STRUCTURED, STRATEGIC PETROLEUM RESERVE PROGRAM CONCERNS ONLY CRUDE OIL (NO PRODUCTS) AND ALL CRUDE OIL WILL BE PURCHASED FROM FOREIGN SOURCES. PURCHASES OF FOREIGN CRUDE OIL FOR SPR LIMITED OFFICIAL USE

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COMMENCED EARLIER THIS YEAR, AND ARE NOW RUNNING AT RATE OF ABOUT 65,000 BARRELS PER DAY. TOTAL AMOUNT STORED IS NOW ABOUT 2.5 MILLION BARRELS. IF SCHEDULE PLANNED FOR STORAGE FACILITIES IS MET, THE FILL RATE WILL INCREASE TO 1 MILLION B/D BY END OF 1978. AT PRESENT RATE OF IMPORTS, THIS WOULD BE INCREASE OF 12.5 PERCENT IN US DEMAND FOR CRUDE OIL IMPORTS. IT IS EXPECTED, HOWEVER, THAT NEAR-TERM GROWTH IN US CRUDE OIL DEMAND WILL BE MET BY ALASKAN OIL PRODUCTION, AND THEREFORE PURCHASES FOR THE SPR WOULD NOT NECESSARILY INCREASE US OIL IMPORTS BEYOND PRESENT LEVELS.

4. WHEN SPR PLAN WAS BEING DEVELOPED IN 1976, FEDERAL ENERGY ADMINISTRATION ANALYZED ECONOMIC IMPACT OF SPR, AND CONCLUDED AS FOLLOWS: QUOTE. ACQUISITION OF OIL FOR THE SPR IS NOT EXPECTED TO AFFECT WORLD PETROLEUM PRICES. THIS STATEMENT IS BASED ON THE EXPECTATION THAT THE OPEC CARTEL WILL MAINTAIN ITS HISTORICAL PRICE-SETTING. THE MAXIMUM SPR REQUIREMENT FOR OIL IN A 12 MONTH PERIOD IS 186 MILLION BARRELS IN THE LATTER HALF OF 1978 AND THE FIRST HALF OF 1979. THIS IS ABOUT 0.9 PERCENT OF CURRENT WORLD PRODUCTION AND

WOULD REQUIRE AN INCREASE OF ABOUT 1.7 PERCENT IN OPEC'S PRODUCTION RATE. OPEC'S SHUT-IN CAPACITY IS CURRENTLY 21 PERCENT OF PRODUCTION AND TOTAL PRODUCTION CAPACITY IS INCREASING (FEA MONTHLY ENERGY REVIEW, SEPTEMBER 1976).

UNDER THE ASSUMPTION OF AN OPEC PRICE-SETTING POLICY, IT IS REASONABLE TO EXPECT THAT SPR FILL REQUIREMENTS COULD BE SATISFIED BY ADDITIONAL PURCHASES AT THE OPEC PRICE. END QUOTE.

5. FYI: ORIGINAL SPR PLAN, TO WHICH PRECEDING QUOTATION REFERS, IS NOW BEING MODIFIED IN ACCORD WITH PRESIDENT'S DECISION TO INCREASE EVENTUAL SIZE OF SPR TO ONE BILLION BARRELS. ALTHOUGH FILL RATE WILL
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BE SLIGHTLY MODIFIED, CONCLUSIONS REGARDING ECONOMIC IMPACT ARE NOT EXPECTED TO CHANGE. END FYI. VANCE

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Message Attributes

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Control Number: n/a
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Sent Date: 18-Nov-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: JCTODD;MW
Enclosure: n/a
Executive Order: N/A
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